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The Casualty & Surety Journal

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FEBRUARY 1949

Taxation Without Justification

By RAPHAEL ALEXANDER

THE MODERN safety-responsibility law, which requires security deposits from uninsured motorists involved in accidents, has done an effective job. That is why the plan has spread rapidly in the past ten years and is now in effect in 19 states. During 1949 the legislatures of several other states will consider the adoption of such laws, and in the course of the discussion a question that will undoubtedly be raised is: *Who should pay the expense of administration?*

The cost of administration of the modern security law is necessarily higher than that of the old type of financial responsibility law. Under the old type the commissioner in charge was not required to take action unless and until he received a copy of an unsatisfied damage judgment or of a conviction of a serious traffic offense. The significant difference is that under the security law he must act right after the accident occurs. If the involved car is uninsured he must, among other things, evaluate the injury or damage caused, and fix an amount representing the total of judgments that may be recovered against the uninsured motorist. He must see to it that the motorist deposits that amount or that his licenses are suspended until he does. This represents a considerable amount of ad-

ditional work. Who should pay for it?

In 17 of the 19 states having security laws, the cost of administration is paid out of *general revenue*. This is the simple and the only fair method, since the law is enacted not merely for the benefit of owners of cars, or drivers of cars, or passengers in cars, or pedestrians, but for the benefit of *everyone* who uses a highway or street—in other words, for the benefit of the *public*. The law benefits the public in several important ways:

Benefits Enumerated

(1) Though it does not require a motorist to carry insurance (except in cases of conviction or failure to satisfy judgment), the law has the effect of substantially increasing the percentage of insured cars on the road. It has this effect because fear of the drastic penalties imposed on uninsured motorists—the possibility of being required to deposit as much as $11,000 or else give up licenses—induces most motorists to insure before being involved in an accident. Thus the law benefits the public by increasing from about 30 or 35 percent to about 80 or 85 percent the probability that damage or injury caused is covered by insurance.

(2) If the motorist involved in the accident is a member of the small uninsured group, the chances are good that the law will induce payment of claim. A large percentage of motorists when faced with suspension of licenses for a long period will either put up security or will settle outstanding claims.* Thus the law benefits the public by bringing about compensation to persons damaged or injured by uninsured motorists.

(3) The law tends to induce the motorist to drive more carefully. If he is uninsured he knows that an accident, whether his fault or not, would have serious consequences for him. If he is insured he knows that a bad record may make it difficult or impossible for him to obtain insurance in the future. Thus the law, since it promotes highway safety, benefits the public.

For these reasons it seems obvious that the only group that can be justly charged with this expense is the general public. As noted before, all but 2 of the 19 states having such laws have adopted this method. But in the other 2 states

*In New York security deposits aggregated $1,363,295 during 1947. During the same year 20,866 releases were filed in lieu of deposits.

—New York and Indiana—a different method was evolved, one that is difficult to use and impossible to justify.

When the bill to revise and strengthen the New York Safety-Responsibility Law was introduced in 1941, it contained no provision for assessment of expenses. But the legislative committee was hesitant about reporting the bill without some provision for obtaining revenue to pay these expenses. So, during the closing days of the session, a provision was added to assess this expense against insurance companies.

In April 1941, after the bill had been passed and before it was signed by the governor, the commissioner of taxation and finance called a meeting of interested parties to discuss amendments which he believed would have to be made at the next session. At that meeting objection was raised to the assessment provision, and both the superintendent of insurance and the commissioner of taxation and finance expressed themselves as being in entire sympathy with the proposal to eliminate the provision. The superintendent of insurance stated:

"It seems to me that in New York—while I fully realize the need for funds and the difficulty of getting them—we are going too far in trying to avoid paying out of general taxation the things which should be paid out of general taxation—we are going too far to find a scapegoat. It seems to me that the method of financing this bill was unfair. . . . Ultimately, the policyholder pays. It is not a fair method of assessment, and it should be changed, either to make it general

Raphael Alexander

by assessing something on the licenses or on the car or driver, or, far better than that, out of the funds raised by general taxation.

"I think this bill is primarily a social measure, intended for the good of every person in this state, and it seems to me that if this thing were done rightly, in the matter of principle, that the state should bear

the expense, as it does for so many other social measures. If it has to be passed on to somebody to pay, outside of the State Treasury, then it would seem to me unfair to pass it to the insured car owners of this state, who are already paying for their own protection and that of the general public. . . ."

Provision Still Stands

During the 1942 session of the legislature, and in each session since then, bills were introduced to repeal the assessment provision, but the provision is still in the law. The expenses assessed against the companies under the provision have gradually increased from about $500,000 to more than $1,000,000 for the fiscal year 1947-48.* By reason of amendments designed to simplify administration, the expenses for the fiscal year 1948-49 will be lower, and the appropriation has been reduced to $823,781.

In 1943 Indiana revised its safety-responsibility law by adding provisions for security after accident, and, following the example set in New York, included a provision for assessment of expenses against insurance companies. In the five years since the new law went into effect expenses have increased substantially.**

The assessment against insurance companies of the expenses of administration of a safety-responsibility law is, in effect, a tax on insured motorists. It is impossible to justify a tax on this group. The law is a social measure for the benefit of the entire public, and particularly for the victims of *uninsured* motorists. It is a safety measure, a means of promoting settlement with, and security for, persons injured or damaged by *uninsured* motorists, and an indirect but extremely effective method for increasing the percentage of insured cars.

Practically all of the expense of administering the law is in connection with *uninsured* motorists. When a motorist involved in an accident is insured, the only step that the administering officials have to take is the filing of the accident report. On the other hand, if the motorist is uninsured, the department must evaluate the injury or damage, must send out notices requir-

*The following table shows expenses assessed against insurance companies for administration of the New York Safety-Responsibility Law:

to 6/30/42 (6 months)	$ 429,200.18
" 3/31/43 (9 months)	420,052.24
" 3/31/44	519,540.00
" 3/31/45	671,966.00
" 3/31/46	780,545.00
" 3/31/47	1,026,812.00
" 3/31/48 (appropriated)	1,088,888.00

**The following table shows expenses assessed against insurance companies for administration of the Indiana Safety-Responsibility Law:

8 months ending 6/30/44	$ 85,233.00
fiscal year ending 6/30/45	108,692.69
" " " 6/30/46	117,971.14
" " " 6/30/47	130,490.89
" " " 6/30/48	195,182.15

ing the deposit of security, must examine releases and agreements, must issue suspension orders, must turn over the security in case of settlement or judgment, or return the security if judgment is for the defendant or if no suit is started within a year, etc. As the percentage of insured cars *increases*, the work of administration *decreases*.

Cannot Ascertain Expenses

Aside from the unfairness of saddling this expense on insured motorists, who by paying insurance premiums have fulfilled their obligation to protect accident victims, there is another reason why this method is undesirable. It is not possible to accurately ascertain the actual expenses of administration of a safety-responsibility law because the department or division which administers the law is not a separate entity, but is integrated with the motor vehicle department. For example, the accident reports (which start the machinery of the law) serve many purposes other than those required by the safety-responsibility law. Most states, even those which do not have safety-responsibility laws, require the reporting of accidents. The reports are required for statistical reasons and as a basis for accident prevention measures. Sometimes when a state enacts a safety-responsibility law requiring security, its accident-reporting requirement is broadened. Accident reports are required in property damage cases. So the number of accident reports increases. But it is not possible to separate the cost of handling reports required for other reasons from the cost of handling reports required solely in connection with the safety-responsibility law. Furthermore, every motor vehicle department, whether a safety-responsibility law has been enacted or not, is required to keep files, to suspend and revoke licenses, to carry on correspondence, etc.

Only Two New Functions

Actually, the only new functions made necessary by the law are the ascertainment of the amount of security to be deposited by uninsured motorists involved in accidents, and suspension of licenses if the security or releases are not filed. But the tendency is, where expenses are paid by assessment on insurers, to include doubtful items such as the increased work of existing departments, additional personnel, rental of space, equipment, supplies, and a part of the salary of the commissioner, deputies and employees who are only incidentally involved in the administration of the law.

There are, of course, variations in the safety-responsibility laws requiring security, and the cost of ad-

Many accidents result in only minor property damage

ministration of any such law depends, among other things, on its scope, its requirements and the procedure. In the last few years several improvements have been developed to reduce expense without reducing the strength of the law:

1. It has been found that a large percentage of accidents result in no personal injuries but only in minor property damage. The New York law was originally applicable to accidents that resulted in property damage in excess of $25. This minimum has recently been changed to $50. Especially when the high cost of repairs is considered, $100 would be preferable as a minimum. A spot check in New York (in 1944) showed that about 45 percent of property damage ac-

cidents involve damage between $25 and $100. By changing the law to exclude such minor accidents, the expense is reduced without decreasing its effectiveness. Persons who sustain damage in these minor accidents are protected in any event under the provisions of the law requiring suspension upon failure to satisfy judgment, the administration of which is relatively simple.

Statement as to Insurance

2. Under the provisions of most of the security laws, an insured motorist involved in an accident is required to obtain from his insurer a statement showing that insurance was in effect at the time of the accident. Frequently these statements are not filed in time to prevent unnecessary evaluation of injury or damage. Under a new procedure recently devised, the statement as to insurance is made a part of the accident report, filled out by the insured. When the department receives the report with this statement, no further action is necessary and a large number of unnecessary evaluations are thus avoided. In New York during 1946 (before the law was amended to permit the new procedure) there were 161,383 evaluations and suspensions, of which *two thirds* were later rescinded.

3. A further method for reducing the expense of administration is to eliminate the requirement that an uninsured person involved in an accident shall file proof of financial responsibility for the future. This requirement seems reasonable enough on the surface, but the fact is that it is useless and difficult to administer. It does not add teeth to the law. It is the fear of being required to deposit security, not the fear of being required to carry insurance in the future, that induces motorists to voluntarily purchase insurance before the accident.

Questionable Argument

One argument advanced in favor of this requirement is that it results in further increase in the number of insured cars. But that is doubtful. It is hard to believe that an uninsured motorist, once caught in the tentacles of a security law, would ever again take the chance of driving without insurance, whether required or not. The only difference is that where the law requires proof of financial responsibility, such a person must pay a surcharge on his insurance premium.

These points would not be of any particular consequence if the proof provision were an easy one to administer. But it is not. The principal problem that arises is: When should the requirement be

terminated? Proof required because of involvement in an accident is being required regardless of fault; in fact the question whether or not the motorist was at fault may never be decided. There are several possible developments:

(a) The motorist may be unable to deposit security, in which event the fact that he is not sued would not indicate that he was free from blame, but may mean merely that the injured person did not feel that he could collect the judgment;

(b) The motorist may settle the case for a small amount, which would not necessarily indicate that he was at fault;

(c) Although the motorist has deposited security, suit may not be brought against him. This may indicate that there was no liability or that the claim was too small to warrant the expense of suit.

Doubt as to Blame

In each of these situations (and there are other possibilities), some doubt remains as to whether the motorist was at fault, and therefore the question remains open as to whether he can fairly be required to continue to maintain proof. The New York law, which requires proof after accident, has a complicated provision for terminating the requirement under certain conditions It provides that a person whose license or registration became subject to suspension or has been suspended under the accident provision, whether or not he has furnished security and proof, shall be relieved from furnishing or maintaining proof if (1) one year has elapsed since the date of accident, (2) nine months have elapsed since the date of his compliance with any suspension order made against him, (3) he has neither paid nor agreed to pay anything for damages resulting from the accident, (4) no suit for damages has been brought against him, and (5) he is not required to file proof for any other reason. Aside from the difficulty of administering so complex a provision, an important objection is that it tends to discourage settlement, since any settlement would subject the motorist to the proof requirement, and the surcharge, for the rest of his life. Because of the unfairness of the proof-after-accident provision, and the difficulties and expense involved, its deletion is advisable. As a matter of fact, most of the states having security laws do not require proof after accident.

A further fact that makes the assessment of expenses on insured motorists so grossly unfair is that the expenses of administration of the law are more than covered by

additional insurance premium taxes resulting directly from the enactment of the law. Since experience has shown that a security law substantially increases the percentage of insured cars, and since the premiums paid for this additional insurance are taxed at the rate of 2 percent, a large additional revenue accrues to the state. For example, New York State in 1947 (the latest year for which complete figures are available) derived a tax of $973,970.50 from the additional premiums on automobile insurance *for which the security law is directly responsible.** This revenue comes chiefly from the pockets of motorists who have seen fit to protect themselves against the penalties of the law by voluntarily purchasing insurance—the very group that is *again* taxed under the *assessment* provision. As previously stated, the expense of administration of the New York law has been reduced by recent improvements, $823,781 having been appropriated for the fiscal year 1948-49. Thus, even if there were no assessment provision, and these expenses were paid out of the state treasury, *there would still be a profit to the state of about $150,000.*

A similarly favorable result can be obtained in any state which enacts a security law containing the modern improvements discussed above. Therefore, the notion that a security law would cause a drain on the state treasury is entirely without basis, and should certainly not be used as an argument in favor of imposing the expense on insured motorists—a group which cannot by any stretch of the imagination be considered as properly chargeable.

*In 1940 (the year before the security law was enacted) the aggregate net premium for private passenger cars was: $29,200,938 for bodily injury, $6,396,320 for property damage, making a total of $35,597,260. For 1947 the aggregate net premiums for bodily injury and property damage on private passenger cars amounted to $89,719,319. To make these two totals comparable the 1940 figures must be adjusted in order to allow for increases in rate. This is done by multiplying the bodily injury premium by 1.037 and the property damage premium by 1.679, making the total for 1940 $41,020,794. The difference between this and the 1947 total is $48,698,525. The premium tax on this amount is $973,970.50. This entire tax goes into general revenue, no part being used for the maintenance of the insurance department.

Foolish Question

A young doctor in a rural area, whose business was not flourishing, was sitting in his office reading when his hired girl appeared at the door.

"Them boys is a-swipin' of the green apples off that tree in the back yard again, sir. Should I drive them away?"

"Not as long as the apples are green," said the Doc.

—*The Bulletin*

. . . ACCIDENT

Jinxes. In Birmingham, Ala., a man who had been hit by a car was treated and released by the hospital. In a few minutes he was back again, having been hit by a taxi. . . . In Lebanon, O., a four-year-old child tumbled off his tricycle and broke his right arm. Two days later he fell off a chair and broke his left collarbone. Next day he came down with chickenpox. . . . In Cleveland, O., an eight-year-old girl broke her leg for the fifteenth time. First fracture occurred when she was 20 months old, just learning to walk, the last three within the past year. Latest one was caused when a bus, carrying her to a school for crippled children, stopped suddenly, throwing her from her seat.

. . . AIRPLANE

Newsy. A woman writing to a friend was at a loss for news to put into her letter, when a two-seater plane crashed into her front porch, slightly injuring the occupants. "It gave me something to write about," the woman told police (Winimac, Ind.).

. . . AUTOMOBILE

Farm Animal Division. In Gates Mills, O., a woman died of a skull fracture suffered when a horse reared up and brought its front hoofs down on the roof of the sedan in which she was driving with her husband. . . . In Calverton, N. Y., a horse which strayed from its yard disputed the right of way with an automobile, and was slightly damaged. The right side doors of the car were also damaged and the windows were broken. . . . In Leonidas, Mich., a cow ambled across the highway in the path of a heavy truck. The driver swerved to avoid it, rammed into another truck. Both drivers were killed. . . . In Graniteville, Vt., a motorist received the unexpected present of a horseshoe, but it did not bring him luck. Flung by a galloping horse, the shoe crashed through the windshield, grazed the driver's face.

. . . MISCELLANEOUS

No Sympathy. In Sterling, Ill., a motorist reported to police that a spare tire and some clothing were stolen from his automobile. He said the car was parked in an alley. Police fined him $1 for illegal parking in an alley. . . . In Savannah, Ga., a man accidently shot himself in both feet, was fined $50 for carrying a concealed weapon. . . . **Lost.** In Brooklyn, N. Y., a four-year-old girl played "Santa" when her parents weren't looking. She handed out $40 to passersby from her father's bankroll, buried her mother's $1,500 diamonds in the family garbage. . . . **Found.** In New York City, an intelligent family cat scratched up $2,200 left in a garage loft by "persons unknown."

• *The old saying "waste makes want" applies to agency management, too. This article offers some valuable advice on efficient, profitable agency operation*

Blueprint for Profit

By **OSCAR BELING**

IN ANY BUSINESS, regardless of its nature or size, there are two primary contributing factors to its success. First, *get the business* and second, *make the most profit from it*. Both take careful planning.

From the sales viewpoint, the successful merchant or manufacturer thinks not only of production in general, but of new designs, new markets, new uses for his products, sales organization and methods of meeting competition. On the profit side, he finds it equally important to study the cost and quality of his raw materials, his labor costs, direction and control of plant and office personnel, maintenance of equipment, adequate financing, a completely integrated plan of operation and many other details of management which, when carefully worked out, will produce the greatest amount of profit.

Believing the subject of planned agency management to be of timely interest to the readers, the editors of THE CASUALTY AND SURETY JOURNAL have persuaded Mr. Beling to write a series of articles which cover all phases of that problem. This is the first article of the series, and the others will follow in consecutive issues. The complete series will constitute a very thorough study of a question that is becoming increasingly important to producers.

The insurance agent's management problems are quite similar. In planning production, the modern agent acquaints himself with new and more comprehensive forms of protection, the markets needing such protection, the latest and most effective sales records and, in general, any production ideas which will help formulate a

long-range and progressively expanding sales program.

Of course, it is recognized that, under present-day conditions, it is relatively simple to produce business. It is quite another matter to make that business produce the greatest amount of profit. After all, the main reason why anyone goes into business is to make a profit.

Profit Planning

The profit angle of agency management is now receiving more attention than ever before, because more and more agents are realizing that roughly 60 percent of the gross commission income represents the cost of doing business. There are many factors involved in profit planning—among them are efficient filing of all documents, simple and adequate expiration records, accurate policywriting, efficient stenographic service, modern accounting methods, attractive and orderly arrangement of office equipment, and proper training of employees. All of these contribute to a completely coordinated plan of operation designed to produce the greatest volume of business at the least possible cost.

It has been truly said that no two agencies operate alike. However, it is possible to test the effectiveness of a definite plan in any agency by making a careful review or inventory of prevailing conditions. The inventory might follow the pattern of ten basic questions which an agent should ask himself and attempt to answer frankly and honestly. These questions, which may well be regarded as a "blueprint for profit," are as follows:

1. Do I have a constructive and well-organized day-in and day-out plan for selling activities?
2. Do I hold the right kind of sales meetings at regular intervals? Even the one-man agency can get results by going into "executive session" with itself and reviewing production efforts systematically and periodically.
3. Do my employees have enough training to serve my customers properly and intelligently? Do they maintain pleasant relations with the insuring public? Are they definitely sales-conscious?
4. Is my office arranged attractively and designed for maximum efficiency?
5. Do I have a set of adequate line records which will tell me quickly anything I should know about each customer's business? Do I use such records to help me sell additional lines to my present clients?
6. Are my files modern and efficient? Can I find what I want when I want it?

7. Are my expiration records complete and under adequate control?

8. Are the stenographic and policywriting details in my office fully efficient and well coordinated? Do my outgoing letters reflect the intelligent care given to insureds and insureds' needs, the high type of employees on my staff, and a constant willingness to be of service?

9. Do my accounting records tell me simply, economically and efficiently what my assets may be and their real value? What are my obligations? Have I sufficient reserves for unearned commissions, taxes, bad debts and depreciation? Is my business showing a healthy increase? Are my expenses out of line? Am I making a profit and, if so, how much? What is the real worth of my business?

10. Are my collections receiving consistent, diplomatic and courageous attention? Do I keep "special arrangements" at a minimum? Can I hold my business by giving real service rather than by unduly extending credit?

The answers to these questions may very well spell the difference between a really progressive agent who is going places and a run-of-the-mill agent who may be losing ground. So, let's take up each one of these questions in this and succeeding articles, examine the problems they present, and see if we can not furnish adequate answers.

Question I: Do I have a constructive and well-organized day-in and day-out plan for selling activities?

The first step in formulating a

Oscar Beling

sales program is provision for an adequate and well-trained sales force. In the smaller offices, the agent himself frequently is the only direct producer. His efforts should be supplemented by the inside staff who also should be regarded as part of the sales force, whether or not they deal directly with the agency clientele.

Many agents now are taking on young men, both to assist them in handling and producing business and to develop into partners or successors. Engaging young men for this purpose naturally requires careful selection. Not only must the family, social and educational background be satisfactory, but the basis of compensation should be determined, since the latter element has a decided bearing on the extent of control which can be exercised over a solicitor's activities. There are three methods of compensating solicitors: (1) straight commission, (2) straight salary and (3) combined commission and salary; and it is the agent's responsibility to determine which method will afford the greatest incentive to the individual producer and, at the same time, provide for the maximum premium volume at the lowest acquisition cost.

Training and Education

Once solicitors are selected, the next question is that of their adequate training and education. Personality alone will not make sales. Effective salesmanship requires three kinds of knowledge: knowledge of human nature, knowledge of sales technique and knowledge of the product. An insurance salesman will gain the first largely by experience, the second by proper guidance and exchange of ideas, and the third by specific insurance education.

Along with the selection and training of solicitors, a primary requisite for a successful production program is intelligent sales direction. Unfortunately, it is the exception rather than the rule for an insurance agency to have a well-defined sales department, despite the fact that comparatively few lines of business have a greater variety of stock for sale. This is as true of the smaller agency as it is of the larger offices. In the small agency, the producer must be his own sales manager and should take sufficient time at regular intervals to formulate and maintain definite selling plans. The larger agencies, with their more complex operations, frequently find it desirable to place a sales or production manager in charge of all production details. The position of sales manager in such agencies is regarded as so important that, in many instances, the duties are assumed by an agency owner or principal on a full-time basis.

Sales Planning

Sales planning naturally starts inside the office. In all instances, it should include the activities of the inside staff as well as the producers. Frequently, office clerks are at least as familiar with rates and coverages as are the producers them-

Customers often telephone when producers are not immediately available

selves; consequently, every member of the staff should be regarded as a potential salesman. Customers very often telephone or call at an agent's office when producers are not immediately available. At such times, an alert, well-informed and sales-minded staff can do much to stimulate interest in new and attractive forms of protection.

It would be difficult, if not impossible, to devise a production plan suitable for all agencies, because of the many differences in individual preferences and in local conditions. The following general rules, however, have been found the most effective:

1. Plan in advance the territory or customers to be visited each day.
2. Concentrate on selling a

complete plan of protection to every worthwhile account. We hear frequently that "an agency's best prospects are its present customers." Continuous application of this thought will prove invaluable in holding accounts when the present inflationary period gives way to more normal conditions.

3. Limit time spent in the office to two hours daily. A producer's primary job is that of selling—just as the principal responsibility of the office staff is to relieve the producers of all detail unrelated to actual production.

4. Review insureds' line records at regular intervals to determine what additional forms of protection should be solicited and whether present limits are adequate.

5. Know your customers, and use that knowledge to get new business. Find out all about their insurable possessions, potential loss possibilities, personal hobbies and other pertinent facts which will assist in determining *all* of their insurance needs.

6. Make surveys and more surveys. Agents report this is the most modern and effective method for producing and holding business. Surveys should be simple and nontechnical. Use layman's language in defining and suggesting coverages. Present the survey in person at an appropriate time for full discussion. Arrange for a periodic review of each survey.

7. Education is a definite factor in production and should form part of the selling plan. "Knowledge is Power," and particularly so in the insurance business with so many changing conditions and with new and more comprehensive types of policies being constantly introduced.

8. Keep prospect files "live." Although every sales program should emphasize thorough cultivation of present clients, there is a certain fascination in revitalizing an agency through brand-new prospect names. Such prospects, however, should have active possibilities and be subject to regular and timely review.

9. Set up an adequate advertising budget to be employed on the medium best suited to your clients. Apply direct mail advertising on selective groups, and *follow through*. Participate in all important civic activities such as fire and accident prevention movements, Red Cross

and Community Chest drives, Boy Scout work, community educational problems, etc.

10. Organize the entire staff to act as a cohesive service unit rather than have each individual producer handle every problem of his customers. The application of this theory will go far toward building up that reputation for complete service on which an agency's success depends.

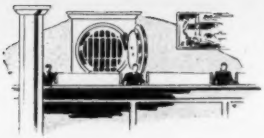
[In the next issue of THE JOURNAL, Mr. Beling will discuss Questions 2 and 3.—Ed.]

"He accompanies me on my sales story."

SMILE A WHILE

"The way I understand it, Peterson—Take a want ad, Miss Wilson—*you want a raise or else!"*

"Mother says you may use her chair, dear, while she's away."



• If a bank has a serious loss, the entire community may suffer. Here are some tips that will help any agent make a more thorough analysis of his bank's individual needs

Insurance for Banks

By **JOHN B. WALKER**

THE BANKER protects your money and securities and helps in making the business of your community both healthy and prosperous. Do you, as insurance agent, do your part to make sure that the banker in your town protects his assets—and therefore all business—by a sound insurance program with adequate amounts and limits of insurance?

Bankers are, as a class, perhaps more insurance-minded than most other groups of businessmen, and in some respects their insurance knowledge is more detailed than others. This is purely relative, however, since all bankers still need a great deal of help and advice in realizing the many exposures to loss that may be insured and also in understanding the insurance they do carry. This article is, of necessity, short and therefore can be little better than a check list of coverages, with a few comments regarding certain forms of insurance that appear to be particularly important. It is hoped that it will be helpful, however, as a guide in planning a program of insurance for your local bank that will be comprehensive and commensurate with the exposures involved.

There are three major divisions of insurance applicable to a bank. These divisions are: (1) to protect the bank's assets, (2) to protect the property of others in the bank's custody, (3) to protect the bank against third party claims. All insurance can be further divided into two general and broad categories—the first being those essential or indispensable coverages, and the second those forms of insurance which are of secondary importance in their relationship to the potential financial loss. There are certain forms which are ob-

viously indispensable and others obviously of secondary importance, but there are a large number of coverages which can not be readily classified as indispensable or of secondary importance without a careful analysis of the bank or exposure involved. This is one of the most important functions of the insurance agent.

Insurance Should Be Included

Customers of the loan department are required to give a financial statement and other pertinent data about their business to assist the bank in determining their eligibility for a loan. How many of your banks also ask for a detailed statement of insurance carried by their borrowers? In the event of a severe loss to a customer of the loan department, caused by fire, infidelity of an employee, burglary or robbery, a serious liability judgment, an extensive business interruption or any of the other numerous types of loss, the customer might be forced into a weakened financial position which could adversely affect the bank's chance of being repaid the outstanding loan unless the borrower had adequate insurance protection.

Why not make up a questionnaire form and present it to your bank for use by the loan department in checking borrowers' necessary insurance? The form should be simple, yet all-inclusive. Above all, it must be so designed that the query is kept on an impersonal basis.

Now let's look at coverages that are available for a bank.

Division I—To Protect the Bank's Assets

Fire and Extended Coverages: Covers loss to real and personal property by fire, lightning and, if the extended coverage endorsement is attached, also covers loss by windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, smoke and vehicle damage. It may also be extended to cover loss by vandalism and malicious mischief.

This is surely an indispensable form of insurance and it must be periodically reviewed with the bank officials to make certain that the amounts of insurance are in step with rising values. This is, of course, particularly important whenever the co-insurance clause is required. It will frequently be found, unfortunately, that the bank is greatly underinsured on its own property. A check of the valuation of real estate owned, as indicated in the published financial statement, will sometimes be helpful as a guide in determining insurance value, but don't be misled by using that figure exclusively. A personal check and appraisal of the

properties is most advisable in all cases.

If the bank is renting the space they occupy, Improvement and Betterments is a very important form of coverage to suggest. Permanent fixtures and installations, such as vaults, counters, partitions, etc., are very costly and should be insured just as much as the rest of the contents, furniture and fixtures of the bank.

Errors and Omissions: Covers impairment of the mortgage interest of the bank due to loss or damage by fire and lightning to properties on which adequate coverage has not been provided because of error or unintentional mistake. It should be noted that this insurance covers the equity of the bank only and in no way inures to the benefit of the mortgagor. It applies *only* to property on which mortgages are held by the insured and then only for a limited time after the discovery by the bank that an error or omission has occurred. There are different forms that apply in various sections of the country, and the form should be checked to determine the extent of the coverage and whether or not there is a co-insurance requirement or other limitation with respect to any loss. A mortgagor is, of course, still obligated to pay his debt, but lack of adequate insurance will surely impair the security of the bank and may result in a default by the borrower.

There are many miscellaneous fire forms that may apply to a bank's insurance program, but the one that is probably the most important, and also the most often overlooked, is Extra Expense. This form covers the extra cost of doing business elsewhere when the bank's own premises are destroyed or rendered untenantable due to fire or other disaster. A bank must keep open at all costs. The added expense of moving, temporary installations, police and other protection, advertising, etc., can frequently run into big figures. The recent case of a bank in the midwest that involved an extra expense claim of over $100,000 is a good example. The many other forms, such as Builders' Risk, Rental Income, Rental Value, Leasehold Interest, Sprinkler Leakage, Earthquake and Volcanic Eruption, may apply in some cases, but each individual bank must be analyzed to determine the need. Some forms, such as Hail, Profits and Commissions, Machinery Breakdown and Use & Occupancy, will probably only apply to the customers of the loan department.

Steam Boiler Explosion: Covers damage to property owned and also not owned resulting from explosion of the insured boilers or other pressure vessels.

This form of policy is almost a must for a bank, for two important reasons. First, the inspection service provided with every boiler policy frequently discovers weaknesses which, if corrected, prevent explosions and the consequent damage. Secondly, the damage resulting from a steam boiler explosion can be terrific, and the repair or replacement of the boiler itself and the other damaged property may be very expensive. The limit on this policy should be high enough to cover a good percentage of the value of the bank's own property. Damage to the property of others need not be considered *if* sufficient property damage liability is carried under the general liability policy discussed later.

It is suggested that furnace explosion be omitted, since complete protection for such damage is given by a combination of the extended coverage endorsement (for the bank's own property) and property damage liability insurance (for the property of others). Bodily injury liability may also be omitted from the boiler policy, since proper coverage will be given by the public liability insurance contract.

Glass Breakage: Covers the cost of replacing the insured glass or lettering when broken by any cause except fire or war risk.

This insurance is undoubtedly of secondary importance since a broken window will not have such a serious consequence that insurance will be necessary to keep the bank in business. If written, however, don't overlook the glass counter-tops, tellers' cage partitions and other interior glass.

Machinery Breakdown: Covers direct loss from accidental breakdown of the insured machinery.

John B. Walker

Banks with extensive air-conditioning equipment may desire to insure that machinery to its replacement cost in the event of an accidental breakdown. Elevator motors may also be included on this form. This insurance is sometimes purchased for the value of the inspection service that goes

with every machinery policy.

Bankers' Blanket Bonds: Cover loss from dishonest acts of employees, officers and others. Includes insurance against loss of money and securities, as defined, resulting from burglary, robbery, larceny, theft, damage or destruction while on the bank premises or in transit. Misplacement is optional on the premises and in transit. It is automatically included in transit on the broader Form #24 Bond. There are two forms in common use today for commercial banks—Form #2 and Form #24. The old Form #8 is to all intents and purposes now obsolete. Forgery is optional on these forms, either for checks, drafts, etc. or for securities. Savings banks qualify for the somewhat broader Form #5. Misplacement and forgery are both automatically included on this form.

An Indispensable Form

This is surely one of the most indispensable of all forms of insurance for a bank. In fact, nearly all banks in the country have some form of Bankers' Blanket Bond. Bank examiners, both state and Federal, are insistent that this broad insurance contract be carried by all banks. Even though a bank has taken all possible precautions to maintain honesty among its officers and employees, it still needs insurance as a supplemental protection.

There is no specific formula to determine adequate protection. A few years ago the American Bankers' Association made an exhaustive study of the problem of suitable fidelity coverage for banks. Their findings and suggestions appeared in an article published in January 1939, and the tables developed are included herewith. (Tables are shown on page 24.—Ed.)

Consider Higher Amounts

Competent authorities feel that the amounts suggested in 1939 were adequate for normal times, but they also feel that banks should now give serious consideration to the purchase of blanket bonds in higher amounts. The primary reasons for this opinion are the period of economic and labor unrest that usually follows a great war, as well as the problem of economic survival of the white collar class who have been affected by increased living costs to a far greater degree than any other group in American industry. It is important for banks to carry blanket bond coverage in amounts consistent with the volume of business transacted as evidenced by the deposits and in keeping with the exposures of cash and negotiable instruments which are retained in the banking prem-

American Bankers' Association 1939 Tables

Banks with Deposits of		*Suggested Amounts*	
		Minimum	*Fair*
$ 100,000 to $	200,000	$ 10,000	$ 15,000
200,000 to	300,000	15,000	25,000
300,000 to	400,000	20,000	30,000
400,000 to	500,000	25,000	35,000
500,000 to	750,000	30,000	40,000
750,000 to	1,000,000	35,000	50,000
1,000,000 to	1,500,000	45,000	65,000
1,500,000 to	2,000,000	55,000	80,000
2,000,000 to	3,000,000	65,000	95,000
3,000,000 to	5,000,000	80,000	120,000
		Minimum Amount	
5,000,000 to	7,500,000	100,000 to	125,000
7,500,000 to	10,000,000	125,000 to	150,000
10,000,000 to	15,000,000	150,000 to	200,000
15,000,000 to	20,000,000	200,000 to	250,000
20,000,000 to	25,000,000	250,000 to	300,000
25,000,000 to	35,000,000	300,000 to	375,000
35,000,000 to	50,000,000	375,000 to	450,000
50,000,000 to	75,000,000	450,000 to	500,000
75,000,000 to	100,000,000	550,000 to	650,000
100,000,000 to	150,000,000	650,000 to	800,000
150,000,000 to	250,000,000	800,000 to	1,000,000
250,000,000 to	500,000,000	1,000,000 to	1,500,000
Over $500,000,000		1,500,000 and up	

ises. Many banks throughout the country are carrying blanket bonds in double the amount suggested by the American Bankers' Association in their 1939 tables.

The optional misplacement coverage which may be written with the Form #24 Bankers' Blanket Bond may or may not include insurance protection with respect to tellers' shortages in cash due to error. It is generally suggested, however, that such tellers' shortage coverage be excluded. The cost of

insuring tellers' shortages due to error is too great for the amount of coverage granted and the potential return to the bank in the event of a loss. The American Bankers' Association, in a bulletin issued in May 1945, indicated that they do not recommend the purchase of such insurance, partly because if this form of insurance is carried it may, when it becomes known to the tellers and other employees, be conducive to laxity and therefore against the interest of sound bank management. Tellers' shortages due to theft or other dishonest acts of employees are, of course, still recoverable as a loss under the fidelity section of the Bankers' Blanket Bond.

Several Forms

Forgery: There are several forms of forgery insurance available to banks. These forms vary in their degree of protection. The Bankers' Limited Forgery Bond and the Bankers' Blanket Forgery Bond cover forgery losses of certain defined checks and certain withdrawal orders and drafts. These forms are largely superseded by insuring clause "D." Insuring clause "D" of the Bankers' Blanket Bond provides protection against loss through accepting, cashing or paying forged checks, drafts, written orders, receipts, bankers' or trade acceptances, letters of credit, promissory notes and other similar types of instruments.

Securities Bond Form #3 and Securities Bond Form #4 cover against loss due to forgery or alteration of securities which are owned by or in the custody of the bank under certain circumstances. Form #3 covers against loss due to forged, altered, lost or stolen securities which come into the bank's possession through purchase or sale or for the guarantee of signatures. Form #4 applies in connection with securities on which the bank is acting as registrar, transfer agent or fiscal agent for corporations. Bankers' Forgery Bond-Lenders' Form pertains to losses of certain types in connection with the loan department which occur through defined kinds of forgery. These forms are rapidly losing favor and are more than replaced by insuring clause "E."

A Combination

Insuring clause "E" of the Bankers' Blanket Bond is a combination of the insurance granted under Securities Bond Forms #3 and #4 and the Bankers' Forgery Bond-Lenders' Form. Insuring clause "E" provides coverage on securities owned or held in any capacity, excluding only coverage against forged or altered checks, drafts, money orders or "written instructions or advices," which ex-

ceptions are covered under insuring clause "D."

As can be seen from the above, the forgery insuring clauses "D" and "E" of the Bankers' Blanket Bond give much more complete forgery insurance protection than the individual contracts mentioned. It is, of course, recommended that the bank's forgery insurance be written under the insuring clauses of the Bankers' Blanket Bond. Insuring clauses "D" and "E" are both available on either a deductible or a full coverage basis, but it is only on rare occasions and under unusual circumstances that it seems advisable to recommend the deductible form.

Burglary and Robbery: All forms of Bankers' Blanket Bonds include protection against loss by reason of burglary and robbery both on and away from the banking premises. This coverage is practically an "all risk" form of protection with respect to money and securities since it covers, in addition to burglary and robbery, loss by theft, mysterious disappearance, misplacement, damage and from other causes. This is, of course, true only to the extent of the misplacement coverage purchased on the blanket bond forms.

Excess Burglary and Robbery covers loss of money and securities when within the banking premises and as excess coverage over that given by the Bankers' Blanket Bond. Excess All Risk Securities covers as excess of the Bankers' Blanket Bond protection and on an "all risk" basis much the same as that granted by the Bankers' Blanket Bond. Only securities may be covered on this form.

Amount To Carry

It is advisable that banks have burglary and robbery protection at least equal to the amount of the maximum cash exposure retained within the premises at any one time. The amount of Bankers' Blanket Bond is frequently enough to entirely cover this exposure. A portion of the securities exposure on the premises is also frequently covered by means of the Excess All Risk Securities Policy. It should be noted that the Excess All Risk Securities Policy should not be written as excess over a greater amount than the misplacement coverage given under the Bankers' Blanket Bond Form.

Registered Mail: All banks have a registered mail policy on either a daily, monthly or annual reporting basis. The monthly reporting form is usually the preferred basis. This insurance should be written in the same group of companies as the Bankers' Blanket Bond and should be amended to apply as primary coverage rather than as excess of any other insurance.

It doesn't take a large safe deposit box to hold a million dollars

Division II—To Protect Property of Others in Bank's Custody

A bank's major reason for existence is the safeguarding of other people's property under conditions which will make that property readily and completely available upon demand. The entire insurance program should be designed to prevent interference with this obligation, due to dishonesty or other forms of outside influences not directly related to management policy.

Property of others includes cash on deposit in check or savings accounts, securities under the control of the trust department or accepted for safekeeping, and negotiable collateral for loans. Real

estate under the jurisdiction of the trust department is another important form of property belonging to others which is controlled by the bank. Money, securities and some other forms of property are covered under the Bankers' Blanket Bonds. These bonds do not, however, include insurance protection with respect to any property contained within safe deposit boxes leased to others.

Safe Deposit Box Burglary and Robbery: Covers property of box renters while contained in the safe deposit boxes against the perils of burglary and robbery only.

Comprehensive Safe Deposit Liability: Covers the bank's legal obligation to pay by reason of liability for loss of property in customers' safe deposit boxes, stored in vaults in the bank's premises by or for customers, and while temporarily elsewhere in the bank's premises during the course of deposit in or removal from boxes or vaults.

Preferred Coverage

The Comprehensive Safe Depository Liability Policy, since it is an "all risk" form with respect to the bank's liability, is much the broader and preferred of the two forms of safe deposit box coverages. This broad form of insurance contract should be written in large amounts, since it does not take a very large safe deposit box to hold a million dollars in one form or another. Since the size of a potential loss is unknown and unforeseeable, and since the rates for this insurance are reasonable, large amounts of coverage are recommended.

Division III—To Protect the Bank Against Third Party Claims

Liability Insurance: This branch of insurance is so well known as to its basic coverage with respect to both indemnity and defense costs that no definition need be given here. Liability insurance on the Broad (Comprehensive) Form is an essential item in every bank insurance program.

Premises owned or controlled in any capacity should be covered for both bodily injury and property damage with high limits of liability. It is suggested that level limits of not less than $50,000 per person and per accident for bodily injury and $50,000 per accident for property damage be a minimum amount recommended to any bank. Usually level limits of $100,000 are more appropriate. Small banks need high limits of liability to a greater degree than large banks, because a heavy judgment would have a much more serious effect on the assets of the smaller bank if not insured. A frequently overlooked reason for a high prop-

erty damage limit is the exposure to loss by reason of the legal liability for damage to property of others resulting from a fire originating on the bank's premises and appearing to have started due to some negligence on the part of the bank. The courts have upheld the rights of property owners and fire insurance companies to recover their losses due to fire when originating through the negligence of others.

Important Consideration

The need of adequate insurance for properties controlled by a trust department of a bank cannot be too strongly stressed. The courts have held that if negligence is proved in connection with properties under the control of a banking institution, *even through a trust*, any payment in connection with such a claim or judgment must be met through the bank's own insurance or the bank's own resources. This claim may not be passed on to the trust account. It is, therefore, of great importance that adequate insurance protection be provided in connection with such property. The expense of this insurance is a legitimate charge to make against the trust account involved. Thus it is obvious that adequate insurance on trust department properties can be obtained at no cost to the bank, whereas judgments in excess of insurance protection must be met out of the bank's own resources.

Elevators are, of course, exposures which require liability insurance, and proper coverage is equally as necessary for any assumed liabilities under contracts or leases from others. These exposures are automatically included in the Broad Form of liability contract that should be suggested.

Products Liability: This form is frequently overlooked as a type of insurance needed by a bank. Any bank that distributes calendars, pencils, dime banks or other similar types of merchandise, as well as the check books they issue, has a slight products liability exposure. This can be added to the Comprehensive or Broad Form Liability Policy at a reasonable flat charge upon proper application to the rating authorities.

Manufacturers Contractors Liability and Contractors and Owners Protective Liability: These are forms of insurance which do not usually have application in connection with the insurance program for a bank, except as they may apply to businesses or concerns operated by the bank, or when a bank is concerned with the adequacy of borrowers' insurance coverage.

Automobile: Automobile coverages are important to a bank,

and the employers' non-ownership automobile coverage should be written with the same limits carried on the general liability form. This insurance is important to every bank since employees are frequently requested to use their own cars on bank business. One such example is the use of a private car to make an urgent delivery of a statement to an important customer. The Broad Form (Comprehensive) Automobile Policy is important to banks whether or not they are engaged in the automobile finance business. It is never known when a bank may come into ownership of an automobile, if they do not already own one, and the automatic protection given by the broad form automobile policy is important in order that this unanticipated exposure will be properly covered.

Workmen's Compensation: Workmen's Compensation Insurance to at least cover the statutory requirements is an indispensable form of policy both for the bank in connection with its own employees and also for borrowers of the loan department. Occupational Disease Coverage, when optional, is usually of such low cost that it is frequently suggested that this be included as a part of the Workmen's Compensation Policy.

The analysis of a bank's insurable exposures and the compilation of a complete suggested insurance program is a task requiring a high degree of insurance know-how. Nearly all banks appear, on the surface, to be generally the same with respect to the types and degrees of exposure involved. This is not necessarily true, however, since banks are frequently found to be engaged in activities which do not necessarily conform to the same pattern and also extend beyond the fields normally considered related to banking. The most intensive survey and analysis that can be made for a bank, or any other risk for that matter, is of little or no value without complete cooperation and mutual confidence between the banker and the agent.

Quick Estimate

Impatient at being kept waiting, the agent tried to strike up conversation with a clerk in the office. "How many people work here?" he inquired. "Oh," came the answer after a pause. "I should say, roughly, about a quarter of them."

—*Canadian Underwriter*

CONFLICTING BUSINESS. Above is one of two city fire engines which collided with each other while rushing to the same blaze by different routes. Twelve persons were injured in the accident, and six cars were sideswiped.

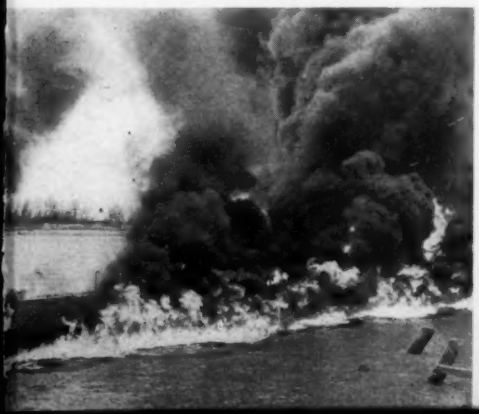
CAPTURED COLLATERAL. Chained to a sturdy tree is this huge trailer truck, which skidded off the road and crashed into a house, completely demolishing the front porch. The owner of the house said he intended to keep the truck tied up until he received payment for damages from the truck owners.

Truck

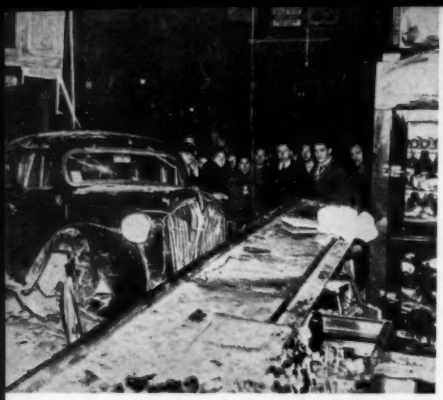
THE NEWS IN PICTURES

Watercraft

BARGE BLAZES. This oil barge, photographed while blazing at its dock, later burned its moorings and became a floating hazard to other craft, before it was finally captured. The blaze was touched off by an explosion on another barge. One person was killed and another was missing in the accident.



LAST SAIL. The charred hull of this 75-foot luxury yacht, valued at more than $100,000, is being towed to port by coast guardsmen after it caught fire while en route to Florida. The owner and five others were rescued.



ON THE HOUSE. The driver was injured, as were a pedestrian, a customer and the bartender, when this car jumped the curb, crashed through the front of a tavern, and came to rest against the bar. The accident occurred after the driver had sideswiped another automobile.

THE LONG HAUL. Emergency squad police, who h to use sledge hammers to extricate the two victims of t crash, raise the car which plunged off a 40-foot embankme landed on its roof. The driver and the passenger were riously hurt, and a pedestrian below barely escaped.

THE NEWS

EXPLOSION. Engineer and fireman were killed when this engine exploded, shearing the boiler (left) from the undercarriage (right), while the wheels lie scattered in foreground. The blast ripped the steel tracks from the ties. Cause of the accident was not immediately known.

UNDESIRABLE LOCATION. There aren't many vacant houses these days, but the house below was fortunately untenanted when this accident occurred. No one was hurt when a freight train jumped the tracks, hurled two cars into the structure.

CLIMBER. Looking quite dapper in spite of his hair-raising escape, the driver of this car considers the best way of getting down from his precarious perch. His car jumped a curb, scooted along the guy wire of a power pole, and came to rest in a tree.

POST MORTEM. Six persons were killed and three others were seriously injured, when this crumpled mass of wreckage—once a station wagon—was hit by a train. Five of the six dead were members of the same family. The impact of the crash hurled the vehicle over an embankment.

N PICTURES

Railroad

BAGGAGE is draped over passenger train below, which crashed into the baggage car of a train, empty of passengers, which was standing at the station. Ten persons in the moving train were injured seriously enough to require medical attention, and 44 others were shaken up.

THE WEAKEST LINK in this chain of events was a single wheel on a 73-car freight train. The wheel broke, resulting in the derailment of 32 of the cars and piling up a mountain of wreckage three cars high. No injuries were reported in this spectacular accident.

FIRE ON THE ASSEMBLY LINE. Blistered automobiles on the twisted assembly line of a large auto factory bear testimony to the fire which swept through the plant, destroying 200 cars and halting production indefinitely. Loss was estimated at $500,000, and 3,800 workers were made idle.

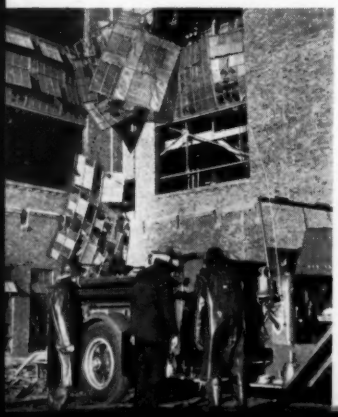
CHIN UP. Young manufacturer stands amid ruins of rented factory, burned to ground two weeks before he planned to move into his own plant. Though he lost everything, he said he would somehow raise funds and start again.

▲ *Fire*

THE NEWS IN PICTURES

Explosion ▼

BLACK-OUT. Firemen below battle flames in a midwestern power and light company, after two explosions occurred which killed nine persons, injured 16, and plunged entire city into darkness for several hours.



BLOW-OUT. The gas explosion which blew out two walls of this one-and-a-half-story house was believed to have been caused when the owner lit a cigarette. He received serious burns, and his wife suffered cuts on hands and legs. Two other persons who were in the house at the time escaped injury.

- *An Army engineer stresses the value of bonding requirements for civil works construction projects, and describes how this work benefits the public in time of peace and the nation in time of war*

Partners for Public Good

While it is not the policy of THE JOURNAL to publish public addresses, in exceptional cases this rule is sometimes set aside. The following address by Brig. Gen. Peter A. Feringa, assistant chief of the U. S. Army Corps of Engineers, is such an exception. It should be read by every one in the insurance business and is here presented as it was delivered, except for the deletion of purely oratorical phraseology. Gen. Feringa spoke at the 40th Anniversary Dinner of The Surety Association of America.—Editor.

THE SURETY ASSOCIATION of America and the United States Army Corps of Engineers have worked together for the public good for a great many years. To surety men it is probably obvious that contractors and the Corps of Engineers obtain certain material gains from our requirements for performance and payment bonds. However, I would like to touch very briefly upon some of those benefits.

The ability of the contractor to furnish the required bonds is in a sense a pre-qualification of the bidder with respect to his financial and physical ability to perform. We know that the surety companies possess large and able engineering and financial staffs which continually compile statistical data and information on the various contractors, particularly those dealing with the Corps of Engineers. The judgment of the surety, supported by the risk that it is willing to assume in bonding a contractor, gives us a good indication as to the financial worth and engineering capabilities of the contractors with whom we deal. It is a confirming check on our own knowledge.

The presence of the surety bond gives us an assurance or a guarantee that a contractor's promise will be fulfilled. Fortunately there have been only a few cases of defaulted jobs, and even in those few we need no longer be concerned with the complex problem of financing completion, because the surety is available to take over. Administratively, under the Miller

Act the surety becomes directly liable to materials vendors and laborers. This eliminates the necessity of the Federal government becoming involved in settling some of those claims which can always become troublesome. As a result, our own forces in Washington, and also within the district offices, are kept to a minimum. I can say without equivocation that our present system of requiring bonds has and will continue to have the wholehearted support of the entire Corps of Engineers.

Work Done By Contract

As you know, we do our work by contract, and in accordance with sound business principles. We endeavor to get as low bids as possible, but we also endeavor to protect the contractor, and as a result the bonding companies. We do this by some of the following requirements.

It is our endeavor to write clear specifications, to determine and to give the contractors thorough-going information concerning existing conditions, especially those not obvious. We do this by such means as careful subsurface investigations, core borings, dredging soundings, etc. During the last three years, under General Wheeler, we have gone one step further and have held pre-bid conferences for major jobs. As an example of what I mean by such conferences, I would like to cite the action of the district engineer in Chicago, Colonel Wendell P. Trower, in connection with a troublesome railroad relocation in the vicinity of Peoria, Illinois.

Col. Trower arranged with the Toledo, Peoria and Western Railroad for the use of a train, as I recall the railroad president's car attached to a couple of flat cars. On that train there were employees of the district engineer with the necessary maps, etc., and representatives of local interests. The train slowly traversed the entire length of the job to the head of the work. The return trip was made by buses which were furnished by local interests. The buses went into those parts of the job which were inaccessible to the existing railroad. By this means the contractors interested, as well as material suppliers, were able to get a clear-cut picture of what was required and were able to draw their conclusions accurately as to the costs and difficulties involved.

Open Meeting Held

After the field trip, an open meeting was held at Peoria with the district engineer and interested contractors. At this meeting the district engineer invited and answered all questions pertaining to the plans and specifications. Following this meeting, a second meeting was

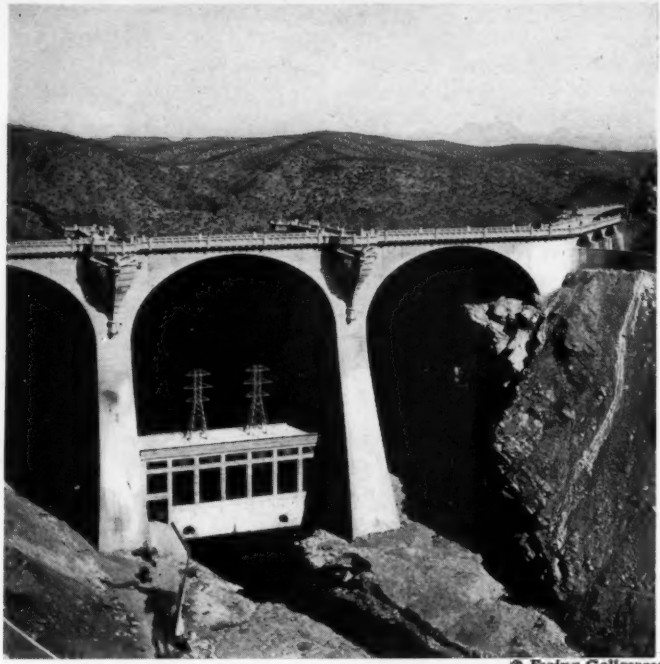
held between the interested contractors and representatives of labor. The district engineer arranged but did not participate in the latter meeting. Of course we benefited from this procedure, as may be seen from the number of bids received and the fact that the low bid was close to the government estimate. There were nine bidders; the government estimate was $1,810,800; the low bid was $1,857,639; and there were four contractors within 20 percent of the government estimate.

Question and Answer

The question as to why the Corps of Engineers should be engaged in the construction of civil works is frequently asked. Surety companies, as partners in our civil works construction program, probably also hear that question, especially when, as now, a reorganization of the government is under consideration. There are good reasons for the present arrangement. It is the most effective and economical way to train and maintain military engineers in up-to-date engineering and construction practice and thus enable them to do the best possible job in time of war. This is how the system works: a relatively small percentage of the officers of the Corps of Engineers are assigned to the civil works program at any *one* time. They are, however, rotated in such a way that *every* officer accumulates, during his career, a balanced combination of purely military training and experience and modern engineering experience on important civil works construction. The Chief of Engineers, reporting only to the Secretary of the Army, can plan and rotate these officers as he sees fit and thus maintain the proper balance between schooling, military science and experience and civil works. On civil works, the officers are given responsible assignments and their mettle is thoroughly tested. Our division and district engineers are given *full* responsibility and authority to act in their areas. They receive general guidance and advice from our Washington office, but their hands are not tied and they are expected to prove their ability to handle large operations.

Results in Wartime

This policy paid real dividends during the last war. For instance, as a result of thorough training engineer troops were able to throw a bridge across the Rhine at Wallach in the exceedingly short time of 7 hours and 45 minutes. This bridge was of steel treadway, 1,152 feet long, and was completed during the early morning hours of March 24, 1945, in time to permit movement of the 9th Army for the final assault into Germany. We were



© Ewing Galloway

Association with civil works has many advantages

able to put a railroad across the Rhine at Duisburg in 6 days and 15 hours. The Duisburg bridge was of the girder type, 2,815 feet long, and served as a vital rail link to the great industrial Ruhr area. The construction of these bridges across the Rhine has often been referred to as the greatest engineering feat of modern times.

The Ledo Road was built in spite of difficulties which many considered insurmountable; the ports of Cherbourg and Le Havre were cleared in double-quick time. These actions, too, were possible largely because our officers had experience with large operations, and were thoroughly up to date on how to get a tough job done.

Another good reason for having the Corps of Engineers responsible

for civil works construction is that it affords a continuing opportunity for contact between the nucleus of regular army engineers and the civilians who will also be called on in an emergency. Many or most of the civilian engineers in our civil works organization are reserve officers. They jump into uniform at a moment's notice in time of need. Although they are performing civilian functions, they are in effect a standby force in time of military need. We know each other. We call each other by first names. We work together.

Placement Facilitated

No less directly concerned are the employees of our contractors, with whom we also get acquainted through civil works. We are able in time of war to place the right man in the right spot. Contractors cannot afford to do without their trained personnel. In time of national stress, however, they willingly let such personnel go if they know the men will be placed where they are definitely suited, and will be used to the best advantage. In this way, we have no waste of engineering manpower.

An additional effective result of our civil works activities is illustrated in our Affiliated Unit Program. Our contractors, with the assistance of our district engineers, have set up over 100 affiliated units embracing practically all types of specialized engineering work. They include units for construction, equipment storage and maintenance, development and distribution of bulk petroleum, camouflage, mapping, bridging, forestry, water supply and the restoration of manufacturing plants. These units get their training from their own work. They are set up in accordance with approved tables of organization. In time of war they are automatically available. It would cost the United States many millions of dollars to have these units available as regular Army outfits. It would be impossible to train them as well as they are being trained right now in their own jobs. Specialized units cannot be organized over night. Still, they are the type of units which are vital and needed immediately in time of war.

Indirect Benefit

An indirect benefit of our participation in civil works is familiarity with modern machinery and equipment. Our contractors, inasmuch as they have contracts awarded to the lowest bidder, must of necessity practice every possible means of engineering economy. This in turn leads to development of the most efficient and modern machinery. Our officers and civilians learn the capabilities and requirements of this equipment and

we are able to adapt it to wartime needs concurrently with its development for civil purposes. Possibly one of the most important advantages of our association with civil works is that we keep our civilian touch. Our thinking is not confined to military channels and parlance, but is broadened to include civilian needs, requirements and practices.

Our system is effective. It has produced such outstanding generals as Douglas MacArthur and Lucius Clay, and our own chief of engineers, General Wheeler. It may be illuminating to quote the following statement by General Eisenhower, made after the latest world war: "I have always believed that not only do the Army engineers render a splendid service in the rivers and harbors work, but I also believe that the rivers and harbors program does more to train our engineers in the large concepts by which they perform their wartime mission than could any other field of endeavor."

Nation Gets Its Money's Worth

For you, as financial experts, it is important to know that our civil works program is productive not only by training our engineers as military engineers but also by furnishing the benefits I cited in the preceding paragraphs. It also gives the nation its money's worth in useful public works projects. These projects are undertaken as a result of non-political and democratic procedure. As you know, our projects are authorized only after the people in the river basin concerned ask Congress to authorize a study of the projects desired. Then, after running the gamut of public hearings and engineering consideration, when economically sound the project is finally authorized *by Congressional action.*

Returns Exceed Expense

Thus the country has a guarantee that more dollars are returned from our work than are expended to construct those projects. This is borne out by the facts. You will recall that flood control on a nationwide basis has been carried on only since 1936. During the last 12 years—and remember that about two of those years were needed to plan and obtain appropriations, and about four years were taken up by fighting a great war—56 reservoirs and 172 local protective projects have been built and completed at a total cost of $483,000,000. The benefits from those projects already exceed $500,000,000.

We are proud of our part in the sound business relationship which has become established between the Corps of Engineers, the nation's contractors and the surety companies. We realize that in such

a relationship all partners should profit. We think that is the case. We like to see a contractor get a bid slightly over our estimate so that he can make a fair and reasonable profit. We need the surety and hope that he will never have to step in to finish the job. We feel that the existing relationship is eminently satisfactory. We hope it will continue. As a fellow partner, I salute you.

"I only hope that if they do decide to send a rocket to the moon, they'll wait till it's full, so they'll have more room to land."

Your Insurance Commissioners

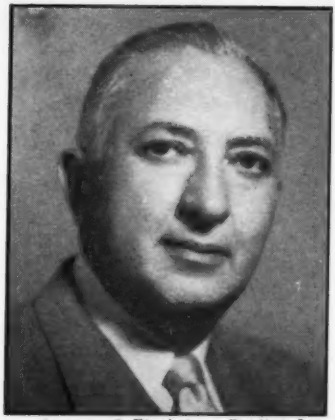
© Shelburne

HON. STERLING ALEXANDER

IOWA

MR. ALEXANDER was born in Jewell, Iowa, and educated at the public schools there. After being graduated from Drake Law College, he entered the banking business in Jewell. In 1919, he began to practice law at Webster City, a career in which he is still engaged. He has been Iowa's Insurance Commissioner since 1947, and in 1948 was elected to the executive committee of the National Association of Insurance Commissioners. He is a member of the American Bar Association, Sigma Alpha Epsilon, American Legion, and is past governor, Nebraska-Iowa district, of the Kiwanis.

Your Industrial Commissioners



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HON. EMANUEL GORFINE

MARYLAND

MR. GORFINE, a native of Baltimore, was graduated from Baltimore City College and received his LL.B. degree from Maryland Law School. Since 1917 he has been engaged in the practice of law. He was elected a member of the House of Delegates of Maryland in 1930, reelected in 1934, and elected to the State Senate in 1938. In 1942, he was appointed to the Industrial Accident Commission, and he became chairman in 1943, the office which he now holds. He is a member of the International Association of Industrial Accident Boards and Commissions, and the American Legion.

INSURANCE FACT-O-GRAMS

• *In this article the author reviews the events of the past year in state regulatory legislation affecting casualty and surety insurance*

1948 Legislation in Review

By **MARCUS ABRAMSON**

LEGISLATIVELY, the year 1948 was a "light" year, with the legislatures of only 11 states, of Puerto Rico and the Federal Congress in regular session. Nevertheless, some significant legislation affecting the casualty and surety insurance business was placed on the statute books.

The moratorium provisions of Public Law 15, which suspended the application of the Federal anti-trust laws to the business of insurance, expired on June 30, 1948. Thus, as of July 1, 1948, the Federal anti-trust laws became applicable to the business of insurance "to the extent that such business is not regulated by state law." The growing volume of state regulatory legislation passed since the enactment of Public Law 15 was further augmented by additional laws adopted during the 1948 legislative sessions. The adjournment of the 1947 sessions of the legislatures found only Idaho, Missouri, Oklahoma, Rhode Island, Virginia, West Virginia, the District of Columbia and Puerto Rico without comprehensive casualty and surety rate regulatory statutes. This number was further reduced this year.

Completely new casualty and surety rate regulatory laws were enacted this year for the District of Columbia, Missouri, Puerto Rico and Rhode Island, and the Virginia laws, previously applicable only to certain lines, were replaced by a new comprehensive casualty and surety rate regulatory statute. In addition, the 1946 Kentucky law was replaced by a law following closely the Commissioners' - All - Industry Bill, the New York rating law was revised and expanded to bring it more nearly in line with that bill, the 1946 Mississippi law was amended to bring all motor vehicle lines thereunder, and the revised

insurance code adopted in Louisiana contains a comprehensive rate regulatory chapter with casualty and surety rates subject to the same general pattern of regulation as heretofore.

The inclusion of a fair trade practice chapter in the new Louisiana code and the enactment of a fair trade practice bill in New York brought to 19 the number of states[1] having this type of statute, following substantially the fair trade practice measure proposed by the Insurance Commissioners' and the All-Industry Committees. It should be noted in this connection that the statutes of other jurisdictions contain many of the provisions of the standard fair trade practice bill as part of their general insurance laws.

New laws along the lines of the Clayton Act, regulating interlocking directorates and investment in stocks of other insurance companies were enacted this year in Massachusetts, New Jersey and New York. These are in addition to similar statutes passed in three states—Connecticut, Illinois and Pennsylvania—in 1947.

Several other related statutes were also passed. These included one in New York making the state anti-trust law (Donnelly Act) applicable to insurance, to the extent that it is not regulated under the rating law; another New York bill prohibiting rebating in accident and health insurance, and a Rhode Island bill requiring the filing of accident and health policy forms.

While regulatory legislation high-

Marcus Abramson

lighted the legislative sessions, there was the usual volume of general legislation affecting the casualty and surety insurance business. In all the legislatures, some 3,700 bills affecting casualty and surety insurance were reviewed, of which almost 600 were enacted. A brief resumé of some of the most important of these bills follows.

[1] Florida, Indiana, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Nebraska, New Hampshire, New Jersey, New Mexico, New York, Pennsylvania, South Carolina, South Dakota, Tennessee, Utah, Washington, Wisconsin.

Workmen's Compensation. The most interesting development of this year was the enactment of a workmen's compensation law in Mississippi, which had been the only state without such a law. The new Mississippi law also includes a provision for a second injury fund.

Other W. C. Bills

Continuing efforts to keep pace with the progressive rise in wages and in the cost of living once more manifested themselves in the introduction of a number of bills in almost every legislature to increase benefits under the workmen's compensation laws. Many of these were enacted. Bills to establish monopolistic workmen's compensation insurance funds were introduced in Massachusetts, New Jersey and New York, but failed to pass.

Automobile. Compulsory automobile liability insurance bills generally patterned after the Massachusetts law were presented in Kentucky, New York and the Federal Congress, but failed of enactment. Bills in Massachusetts to set up a state motor vehicle insurance fund also failed; and a bill in New Jersey to create a motor vehicle security fund for the payment of claims under automobile liability policies unpaid by reason of the insolvency of insurers, likewise failed to pass. No important changes in the automobile financial responsibility laws were made, other than amendments to the New York and Virginia laws.

Fidelity and Surety. Of special interest in connection with fidelity and surety were a bill in Congress to authorize a blanket bond to cover all Federal officers and employees, which did not pass, and a New Jersey bill, which became law, amending and revising the state banking law. This revised New Jersey law contains a provision requiring bank directors, officers and employees to furnish bonds issued by a surety company or companies or "by one or more underwriters."

Multiple Lines. With the enactment of a multiple line statute in Kentucky, there are now 29 jurisdictions[2] where the laws give fire and casualty and surety companies complete multiple line powers. It should be noted that in many of the remaining jurisdictions partial multiple line coverages, such as full coverage automobile and aircraft insurance, the writing of the personal property floater and reinsurance of all risks, are authorized. In some instances, such partial coverage is permitted by statute and in others, by Department ruling.

[2] Alabama, Alaska, California, Colorado, District of Columbia, Hawaii, Indiana, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, New Hampshire, New Jersey, North Carolina, North Dakota, Oregon, Tennessee, Texas, Utah, Vermont, Virginia, Washington.

Many bills were introduced to increase workmen's compensation benefits

Health Insurance. In the Federal Congress, a number of health insurance measures, as well as amendments to broaden the Federal social security law to include health provisions, were considered but failed of enactment. Likewise, several bills to delete the provisions, added by the Crosser Bill in the previous Congress to the Railroad Unemployment Insurance Act, calling for payment of disability and maternity benefits thereunder, failed of passage.

In Massachusetts and New York, measures for various forms of cash sickness compensation failed to pass, but in New Jersey several bills were enacted providing for a system of non-occupational disability benefits.

Miscellaneous. Other measures that

deserve mention include a new law in Kentucky under which the authority of excess line brokers to place fire insurance in unauthorized companies is extended to all types of casualty insurance, including fidelity and surety, except workmen's compensation, credit and title insurance; a resolution in Congress which was adopted to preserve the independent contractor status of insurance agents for social security, tax and benefit purposes; the revised insurance code in Louisiana; and the continuation to March 1, 1949, of the New York Joint Legislative Committee On Insurance Rates and Regulation (the Mahoney Committee).

Summarizing the present situation insofar as regulatory legislation is concerned, there are at present only 3 states—Idaho, Oklahoma and West Virginia—which do not have general casualty and surety rate regulatory statutes. It is anticipated that such statutes will be considered and enacted in those states during the 1949 sessions of their respective legislatures. It may also be expected that some additional fair trade practice laws will be passed in 1949. With the enactment of such additional legislation, the states will have accepted the invitation extended to them by Congress in Public Law 15 by the completion of the program of regulatory legislation designed to preserve "the continued regulation and taxation by the several states of the business of insurance."

How Now Brown Cow

"Oh, what a funny-looking cow!" said the chic young thing from the city. "Why hasn't it any horns?"

"There are many reasons," answered the farmer, "why a cow does not have horns. Some are born without horns and do not have any until the late years of their life. Others are dehorned, while still other breeds are not supposed to have horns at all. There are many reasons why a cow sometimes does not have horns. But the chief reason that this cow does not have any horns is that it isn't a cow at all. It's a horse."

—*The Safer Way*

Court Decisions XXXVII

ALAN GRELLER, LL.B.

Liability of Landlord—A woman tenant in an apartment house was injured when she slipped and fell on some ice on the private sidewalk leading from the street sidewalk to the front door of the building. Claiming that the accumulation of ice was due to the absence of a downspout on the front of the building, she brought suit against her landlord for damages. The landlord brought in as an additional defendant a contractor who had removed the downspot in the course of doing some carpentry work on the building but had been unable to replace it with a new one due to wartime restrictions. The complaint against the contractor was dismissed and a judgment rendered solely against the landlord on the jury's verdict in favor of the injured tenant. This was affirmed on appeal. (Frazier v. Edwards (Colorado 1948) 190 P. 2d 126.)

* * *

Liability to Pedestrian—As a boy was passing in front of a building occupied by a candy manufacturer, he observed what seemed to him to be dirty water being swept out of the building and running entirely across the sidewalk to the curb. There being heavy traffic in the street, he proceeded along the sidewalk and stepped on the substance, whereupon his foot slipped and he fell on his head and back, injuring himself. He then discovered that the substance was syrup. In his suit against the occupant of the building, his complaint was dismissed, but the appellate court ruled that the case should have gone to the jury and ordered a new trial. (Marzelle v. Brown (North Carolina 1947) 44 S.E. 2d 80.)

* * *

Liability of Home Owner—A milkman had delivered milk to the rear of a house before sunrise. As he was leaving the premises through the driveway, which he had done for the past three months, his foot caught in the gate stop in the center of the driveway and he was injured. In his suit against the home owner to recover for the injuries, judgment was rendered in his favor. This was affirmed by the appellate court. (Moretti v. Gulino (New York 1947) 73 N.Y.S. 2d 684.)

• *Complete protection for contractors does not end when bonding requirements are met. Here is a check list worth reading*

Insurance for Contractors

By **CHARLES W. McNEIL**

THE INSURANCE AGENT has a serious responsibility to his contractor clients in acting as their advisor for adequate and proper casualty and surety coverages. The contractor may have a perfectly good job, with ample profit, but because of some unusual accident, not properly covered by insurance, he may become financially involved and be forced into bankruptcy.

In setting up a proper insurance program for a contractor, it is important that the agent be familiar with the contractor's operations and know his needs. To be able to do this, of course, it is necessary to have complete knowledge of various types of coverages available. A brief description of the important coverages are as follows:

Bid or Proposal Bond. This bond is required on most public works projects and some private construction. It guarantees to the owner that the contractor will, if his bid is accepted, fulfill the terms set forth in the bid.

Contract or Performance Bond. Another bond which is required on most public works projects and some private construction. This bond is for the protection of the owner, and while there are a number of different types, the intent of all is to guarantee completion of the contract of which the bond becomes a part.

Payment and Labor and Material Bonds. These bonds guarantee to the owner the completion of the project free of all labor and material claims.

License Bonds. Many municipalities require license bonds of plumbers, electricians, etc. You should be familiar with your state and community requirements.

Comprehensive General Liability. This policy protects the contractor against all declared existing lia-

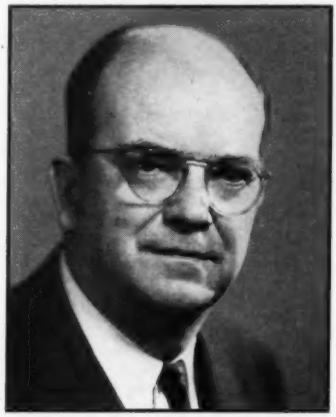
bility hazards and other additional hazards occurring during policy term, arising from construction operations at all locations, including offices, warehouses, etc. Excluded under this policy are workmen's compensation, damage to property owned, occupied, used by, rented to or controlled by the insured, and operation of aircraft or motor vehicles. It is possible to provide limited coverage under specific hazard liability policies as follows:

Public Liability—Premises and Operations
Elevator Liability
Contractual Liability
Independent Contractors
Products Liability or Completed Operations
Teams Liability
Owner's and Contractor's Protective Liability

Workmen's Compensation. Insures for loss due to statutory liability as a result of personal injury or death suffered by employees of the insured in the course of their employment. This coverage is mandatory in most states for varying minimums of employees, and amounts of compensation are prescribed by law.

Employers' Liability. Covers loss resulting from legal liability to employees not eligible for workmen's compensation who suffer injury or death in course of employment.

Comprehensive Automobile. This policy protects the contractor with respect to all sums he becomes legally obligated to pay as damages because of bodily injury or property damage caused by accident and arising out of the ownership, maintenance and operation of any motor vehicles. Medical payments may be added by endorsement to



Charles W. McNeil

the Comprehensive Automobile Liability Policy. The exclusions under this policy include liability assumed under any contract or agreement, workmen's compensation, and injury to or destruction of property owned by, rented to, in charge of, or transported by the insured. It is possible to provide limited coverage under specific hazard policies

Never was it more important that contractors be fully protected

as follows:

Owned Automobiles
Hired Automobiles
Non-owned Automobiles
Medical Payments

Automobile Physical Damage. This reimburses the insured for direct loss arising out of loss of or damage to automobiles caused by hazards such as fire, theft or collision.

Contractor's Equipment Floater. This coverage insures all types of contractor's equipment not designated for highway use against named perils, regardless of where located and while in transportation to and from jobs.

Comprehensive Dishonesty, Destruction and Disappearance Policy. This policy (more commonly referred to as the 3D policy) is a

so-called all risk protection for the assured for money and securities, on and off the premises, against loss caused by dishonesty, destruction, disappearance or wrongful abstraction. It includes in one package loss due to dishonesty of employees, all loss of money and securities within or without the premises and loss of other property caused by robbery or safe burglary, including damage (except by fire) done to premises and equipment by burglary, robbery or attempt thereat. It also covers loss of securities in safe deposit boxes or forgery of outgoing instruments.

Money and Securities (Broad Form). This form covers all loss of money and securities within or without the premises and loss of other property caused by robbery or safe burglary, including damage (except by fire) done to premises and equipment by burglary, robbery or attempt thereat. Dishonesty of employees or forgery is not included. Limited specific coverages may be obtained in the following policies:

Mercantile Safe Burglary
Paymaster Robbery
Messenger or Interior Robbery
Valuable Papers
Safe Deposit Box Burglary and Robbery Insurance

The safest method to be used in planning your contractor clients' coverages is a well-formulated survey plan. The survey should show insurable hazards and present coverages with your recommendations of protection necessary to complete a proper insurance program to amply protect your client from the unusual as well as the usual loss. There never was a time when it was more important that contractors be fully protected than today.

Famous Corner

The most famous corner in the world is not Madison & State, Chicago, 42nd & Broadway, New York, or Hollywood & Vine, Los Angeles, but the northeast corner of the front of an envelope. Here a little stamp can work wonders for one who uses the mails for advertising. Stout fellow! It takes a licking every time it's used, but carries on just the same.

—*Advertising Highlights*

• *Highway safety experts are no longer "guessing" about the causes of accidents—they know. It remains for us to enforce the cures*

Auto Inspections Succeed

By **THOMAS N. BOATE**

TIME WAS when just about everyone labored under a feeling of great uncertainty regarding what, if anything, could be done to stop traffic accidents. Those were the days of trial and error. We *know* now what it takes to do the job.

Here are some of the fundamentals:

1. Good laws and regulations intelligently *enforced*. No laws that can not or should not be enforced. *No "ticket fixing!"* And full public support behind the law makers and police.

2. *Education*. It is time that high schools begin to graduate young people properly prepared to drive safely. There is a ready-made program, prepared by the Association of Casualty and Surety Companies, for that purpose. Just about all that is needed is a little salesmanship with the local school administrators and Boards of Education.

3. A driver licensing program with meaning—not just a medium of taxation. There is only one excuse for the requirement of a license —safety. Here is the one opportunity we have to keep unsafe drivers off our highways.

I could enumerate other elements of a well-rounded program, such as traffic engineering, protection for the *pedestrian* through education, safety education for adult drivers, etc., but there is one other matter which is the real purpose of this article. It is the importance of periodic motor vehicle inspections as a means of preventing accidents. In other words, when all of the primary fundamentals are well under way, something must be done about the maintenance of motor vehicles in a safe condition for use on public streets and highways. This can be achieved through semi-annual compulsory motor vehicle inspections.

This immediately brings up two questions: (1) Will the regular inspection and repair of motor vehicles help to prevent accidents and (2) should such inspections be compulsory or can we rely upon the owners of motor vehicles to keep their machines in safe condition for use on public highways? The answers to both these questions should be as elementary as the need for laws pertaining to health and sanitation, the use of firearms, and the like.

Overwhelming experience has established that the motor vehicle owner and operator can not be relied upon to keep his or her car in such repair that it will function efficiently and safely under either normal conditions or in the event of an emergency. Indeed, the fact that we can not rely upon the average automobile owner to do this has been so well established, on the basis of long experience, that compulsory periodic motor vehicle inspection should now have universal appeal to all public officials.

Accident Prevention Values

Let's quickly consider some of the accident prevention values of compulsory motor vehicle inspection, based on the experience of states and cities that already have undertaken a program of this nature:

First of all, it *does* reduce accidents! It undeniably improves the general standard of vehicle condition. It affords opportunity to check motor and serial numbers actually on the vehicles against registration certificates and in many other ways assists in the enforcement of motor vehicle laws. It improves quality of garage workmanship in making adjustments and repairs. It provides an excellent means of informing drivers about the condition of their cars and their responsibility for driving safely at all times.

Other Benefits

Other benefits, less tangible but of vast importance, also result from periodic motor vehicle inspection. The psychological effect on the driver is considerable, for the motorist who has been shown that his brakes meet only minimum requirements will tend to drive more carefully. Inspections also help to keep car owners aware that certain parts need periodic attention and that it is, in the long run, less expensive to have the vehicle checked regularly than wait until a breakdown occurs. Rejection of a vehicle usually informs the motorist in some specific way that he is driving an unsafe car and may be held as the negligent party in the event of a collision with a car properly maintained. Also, the driver tends to cooperate in the observance of traffic rules and regulations.

The educational opportunity afforded by inspections is outstanding. In some states having good inspection programs, the driver of an approved motor vehicle is handed a pamphlet stressing certain phases of safety. This method of reaching the motoring public, if the context is changed periodically, affords an excellent medium for instructing motor vehicle drivers along safety lines. Periodic inspection provides for the motorist an inexpensive maintenance service not available elsewhere. It gives a sense of security while driving and saves lives because the constant gamble on the safe condition of the other fellow's automobile, with which we are constantly in contact on streets and highways, is reduced to an absolute minimum.

Now let's see what officials, safety experts and highway users have to say about the accident prevention values of compulsory periodic inspection, again based on actual experience. One state motor vehicle commissioner reported, "Even a partial appraisal of inspections makes it apparent that the program has had a salutary effect on the over-all state-wide traffic safety situation." Another commissioner declared: "Unquestionably a good inspection of vehicles will reduce accidents." Still another commissioner reported that his inspection program *has* contributed substantially to traffic accident reduction. Thus the reports go through all of the states and cities where this program exists.

A number of highway users also have been asked to express an opinion, particularly with reference to the effect of compulsory motor vehicle inspection on commercial vehicle operations. Here is one reply, from an operator of several hundred pieces of equipment: "Our first reaction to inspection was that it would probably be an unnecessary nuisance. However, those of us in the management part of the business have been highly pleased with the results of this program. It gives us a check against our own

© Bachrac.

Thomas N. Boate

garage and without question keeps our maintenance personnel on their toes." Another said: "We believe the requirement to pass an inspection twice each year to be very worth while and have no complaints regarding additional cost or time required for making the inspection." In a state where an inspection law was recently passed the manager of a large truck fleet stated that, in his opinion, the law will create no particular hardship or expense and will pay dividends in accident prevention.

Brake Check Program

In 1945 the International Association of Chiefs of Police, in cooperation with manufacturers, dealers and the automotive industry, carried on a nationwide brake check program, during which the brakes of 1,664,317 vehicles were inspected. About one seventh, or 241,998, were found below the brake check standards, and the owners were requested to make repairs. In states with motor vehicle inspection programs only a small percentage of the vehicles checked were found to have inadequate brakes. In one state not requiring inspection, for instance, 27.7 percent of the vehicles that were checked had poor brakes, while in the District of Columbia, Massachusetts and New Jersey, where sound inspection programs are operating, the percentage of vehicles found to have poor brakes was 2.9 percent, 3.7 percent and 5.6 percent, respectively.

Safety Check Program

The following year, the International Association of Chiefs of Police conducted a safety check program, during which 2,718,076 vehicles were checked by the police. Of this number, 872,290—or 32.1 percent—had obvious defects *affecting safe operation.* Faulty lighting, front and rear, led the list of defects, and *inadequate brakes* were next in order of frequency.

Traffic fatalities during May, June and July of that year—while the checks were being made—were about 50 percent lower than in the same months of 1941, whereas fatalities during the first four months of the same year were about the same as in the first four months of 1941. These figures indicate that the police traffic safety check was instrumental in reducing traffic fatality totals one fifth below that which the early 1946 experience indicated they might have been. This represented a saving of about 2,000 lives during the three-month period.

New Jersey's experience with compulsory inspection of motor vehicles presents perhaps the strongest argument that could be found in favor of the adoption of such a

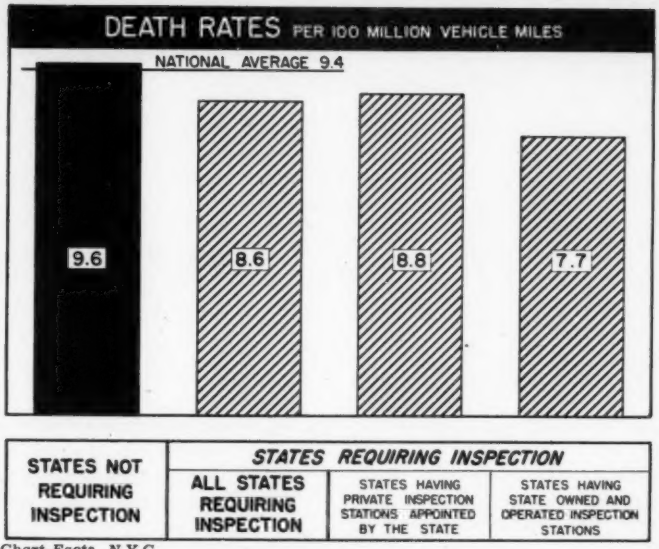


Chart-Facts, N.Y.C.
Based on material from Public Safety Magazine *(Nov. 1946)*

law as a safety measure. In 1932, before New Jersey adopted its compulsory inspection law, the state reported 1,180 persons killed. The toll increased steadily through the years until, in 1937, 1,278 persons were slaughtered by motor vehicles on the state's streets and highways. That was enough for the people of New Jersey. They demanded that their legislature act promptly and forthrightly, which the legislature did by adopting a law requiring the owner of every motor vehicle in the state to take his car to a state-operated inspection station twice a year and have it examined for its operational efficiency.

Even the citizens of New Jersey were surprised at the results. In 1938, the year the law was adopted, the death toll dropped to 865, a reduction of 413 lives in a single year, and from there it *kept* going down until, in 1947, the death list was only 638—less than half the number of men, women and children who lost their lives in traffic in New Jersey the year before compulsory motor vehicle inspection was put into effect.

A public opinion poll, sponsored

by the National Committee for Traffic Safety, was made recently to determine the public's attitude toward periodic motor vehicle inspection. Ninety-seven percent of the people interviewed unqualifiedly came out in favor of inspections. This decisive position was registered as strongly in the states which have never adopted such a law as in the states which have had a regular inspection program. These and similar testimonials from other interested groups, plus the revelation that one out of every three vehicles inspected by the police in recent tests had one or more unsafe deficiencies, establish the case for periodic compulsory motor vehicle inspection as an essential part of any traffic accident prevention program.

Questions arise concerning the structure of such a law and which of the several systems is more efficient. Model laws and administrative procedures have been developed and incorporated in the "Motor Vehicle Inspection Manual" and the "American Standard Inspection Requirements for Motor Vehicles," both of which are available upon request to the Accident Prevention Department of the Association of Casualty and Surety Companies.

State-wide motor vehicle inspection programs are now in effect in 15 states and almost that many cities. Ten additional states have laws which permit periodic motor vehicle inspection by municipalities. Finally, on the question of whether periodic inspection of all motor vehicles prevents accidents, an interesting study conducted in 1946 seems to firmly establish that fact. During that year, the nation's average death rate per 100,000,000 vehicle miles of travel was established as 9.4. States *not* requiring periodic inspection *exceeded* this national average, showing an average death rate of 9.6. On the other hand, states requiring periodic inspection as a group established a rate during that year of only 8.6, well *below* the national average.

Correction

The owner of a cheap watch took it to a jeweler for repairs. "The mistake I made," he admitted, "was that I dropped it." Followed a swift, rather haughty examination. "I don't suppose you could help that," the jeweler remarked, "the mistake you made was picking it up again."

—*Canadian Underwriter*

Field Forum

"The Customers Always Write"

WILL DETROIT DO IT, TOO?

Detroit, Mich.

Dear Editor:

I have just read and re-read Alfonso Johnson's article, "Dallas Does It; So Can You!" in your December issue, and was so impressed with the plan that I am going to try to have it installed in Detroit.

As a starter, I want to send copies of the article to our mayor, police commissioner and newspapers. Can you send me, at once, several reprints of the article, or extra copies of the issue?

LESTER SANDELMAN
The Sandelman Agency

THE SUPPORT IS WORTH WHILE

Dallas, Texas

Dear Editor:

I would like to have two extra copies of the December 1948 issue of THE CASUALTY AND SURETY JOURNAL, containing Alfonso Johnson's article, "Dallas Does It; So Can You!" I want to place them before our city officials so that they may feel all the more justified in the unqualified support they are giving our traffic commission and its various functions.

R. W. THOMPSON
Kirkpatrick-Thompson Co.

THE PROPER PROCEDURE

Newark, N. J.

Dear Editor:

I have read with much pleasure and interest your periodical THE CASUALTY AND SURETY JOURNAL. I would be pleased to be a regular subscriber to this magazine, and if I am automatically entitled to this, being an agent for one of your member companies, I would be greatly gratified if you would place my name on your mailing list.

If you find that I am not automatically entitled to this, kindly advise me as to how I may go about obtaining a subscription.

EPHRAIM WEINIGER
Fire & Casualty Dept.
Weiniger & Schleifer

[We frequently receive letters from producers who are not sure how to obtain a subscription to THE JOURNAL. Any agent for one of the Association's member companies should write his request to the home office of that company instead of directly to us. Distribution of the magazine to employees and agents of member companies is controlled by the home office of each company. This procedure

is necessary in order that our mailing list shall always coincide with that of the home office and that each company's quota will not be exceeded. The alternative is for the producer to subscribe at the yearly rate of $1 for representatives of member companies and $1.50 for anyone else.—Ed.]

WHYS AND WHEREFORES

New York, N. Y.

Dear Editor:

I have found your magazine very inspiring in the past and will continue to look forward to all your future issues. It keeps me informed of all the latest developments in the insurance field, and your Sales Promotion section has more than once proved profitable to me.

May I suggest that instead of a separate section entitled "The Writers," the biography of each author be incorporated under the picture in the article itself rather than at the end of the book where it sometimes is not seen at all.

DAVID NOAH SUGARMAN

[Suggestions from our readers are always welcome, and this is one which has been presented before. However, there are several reasons why we combine all of the biographical sketches at the end of the book, following the style of many other magazines. One of these reasons is the fact that many of the articles in THE JOURNAL are written by executives of member companies of the Association, and it is our practice not to give undue publicity to any one company over the others. —Ed.]

WE WISH WE COULD—BUT WE CAN'T

Bergenfield, N. J.

Dear Editor:

We noted with interest and amusement the cartoon on page 21 of the November issue of THE CASUALTY AND SURETY JOURNAL. We feel that it would make very good newspaper advertising, and are wondering if a mat for that purpose would be available.

MARJORIE E. MORRIS
Christie Agency, Inc.

[Recently we have had several similar requests for permission to reprint cartoons appearing in THE JOURNAL. We regret that we are unable to give such permission. However, these cartoons are in most cases supplied by syndicated services and, like the photographs in our "News in Pictures" section, are authorized for use in our magazine alone.—Ed.]

"A BLESSING" TO ALL

Washington, D. C.

Dear Editor:

Congratulations to Mr. Dave McKown on his article, "Oklahoma Has an Idea," in the December CASUALTY & SURETY JOURNAL.

The legal title and license "Certified Insuror" is a sound way to *see that the public gets what it is paying for in insurance premiums.* If that can be done in some reasonable measure, it will be a blessing to the insureds, the agents, the companies and also to those who should not be in the business as agents.

Since this is Mr. McKown's own idea, he should aim to give it nationwide publicity, and I am sure he will be supported in all quarters.

DUMONT BEERBOWER, C.L.U.

MARCUS ABRAMSON, assistant counsel, Association of Casualty and Surety Companies, member of the New York Bar, is a graduate of the College of the City of New York (B.S.S.) and of Harvard Law School (LL.B.). He has been with the Association and its predecessor organization, the Workmen's Compensation Publicity Bureau, for 22 years. (*1948 Legislation in Review*, page 45.)

* * *

RAPHAEL ALEXANDER, attorney in the law department of the Association of Casualty and Surety Companies, is a graduate of New York University Law School and practiced law for several years prior to coming to the Association in 1935. He is the author of "Lawyers' Practice Time Table," a reference book for lawyers, and of many articles in trade periodicals and magazines of general circulation. (*Taxation Without Justification*, page 1.)

* * *

OSCAR BELING, superintendent of the agency systems department for the Royal-Liverpool Group, has been with these companies for more than 30 years. He is widely known as a speaker at national and state insurance agent meetings. Articles by him have

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SUBSCRIPTION. Representatives of member companies receive the JOURNAL by courtesy of one or more of our members, through whose cooperation its publication is made possible. Additional subscriptions for such persons may be entered at a cost of $1.00 a year. (Be sure to state member company affiliation; see list on inside back cover.) To all others interested, $1.50. Orders for N.Y.C., add 2% for sales tax; for Calif., outside of San Francisco, 2½%. For San Francisco, all purchasers except insurance companies add 3%; insurance companies add 2½%.

OPINIONS. Authors have been invited to express their own personal opinions which are not necessarily always those of the Association.

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HAROLD K. PHILIPS, *Editor*
CAROL VAN SICKLE, *Associate Editor*
ANTOINETTE RELLA, *Circulation Secretary*

frequently appeared in THE JOURNAL. (*Blueprint for Profit*, page 11.)

* * *

THOMAS N. BOATE, director of the public safety division of the Association of Casualty and Surety Companies' Accident Prevention Department, was formerly chief of the traffic division of the Pennsylvania State Police. He is the author of numerous articles on traffic control and safety. (*Auto Inspections Succeed*, page 55.)

* * *

CHARLES W. MCNEIL is sales promotion manager for the American Surety Company. Following his graduation from high school in Manchester, Ohio —where he was born—he taught in the Manchester Junior High School, and later attended the University of Cincinnati. He entered the employ of the American Surety Company in the Columbus branch office in 1922, held successively the positions of cashier and special agent. In 1928 he was appointed assistant manager, and he became manager of that office in 1938. Later that same year, he became manager at St. Louis and in 1947 he was appointed to his present position. (*Insurance for Contractors*, page 51.)

* * *

JOHN B. WALKER has been assistant manager of the surety department of the Fidelity and Casualty Company of New York since 1941. After being graduated from Middlebury College in 1928, he entered the insurance business in the United States head office of the Ocean Accident and Guarantee Corporation, Ltd. In 1931 he joined his present company in the compensation and liability underwriting department of the metropolitan office. From 1936 to 1941 he was all-lines casualty underwriter in the midtown office. (*Insurance for Banks*, page 19.)

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Something Missing

A somewhat tipsy gentleman boarded a two-story bus in Chicago and sat down near the driver. He talked and talked until the driver tactfully suggested that he go up to the top deck to enjoy the fresh air. The drunk amiably clambered upstairs. In a few minutes he was back.

"What's the matter?" asked the driver, "Didn't you like it up there?"

"Yep, nice view, nice air," answered the drunk. "But it ain't safe—no driver!"

—*Jus' Thots*

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